

VZCZCXRO4734

PP RUEHAG RUEHBI RUEHCI RUEHDBU RUEHLH RUEHNEH RUEHPW RUEHROV RUEHSR

DE RUEHAH #0662/01 1481134

ZNY CCCCC ZZH

P 281134Z MAY 09

FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 2866

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

RUCNCIS/CIS COLLECTIVE

RUCNMEM/EU MEMBER STATES COLLECTIVE

RUEHAK/AMEMBASSY ANKARA 5225

RUEHBJ/AMEMBASSY BEIJING 2965

RUEHKO/AMEMBASSY TOKYO 2830

RUEHIT/AMCONSUL ISTANBUL 3469

RUCPDOG/DEPT OF COMMERCE WASHDC

RHEHNSC/NSC WASHDC

RHMFSS/CDR USCENCOM MACDILL AFB FL

RUEAIIA/CIA WASHDC

RHEFDIA/DIA WASHDC

RUEKJCS/JOINT STAFF WASHDC

RUEKJCS/SECDEF WASHINGTON DC

RUEHVEN/USMISSION USOSCE 3570

RUEATRS/USTR WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000662

SIPDIS

STATE FOR SCA/CEN, EEB

USTR (LILIENFELD)

E.O. 12958: DECL: 05/28/2019

TAGS: [PREL](#) [EIND](#) [EINV](#) [ETRD](#) [TIFA](#) [TX](#) [AZ](#) [AF](#) [ZK](#)

SUBJECT: TURKMEN MINISTRY OF TRADE: TRADE VOLUME WITH

UNITED STATES SHOULD BE BILLIONS, NOT MILLIONS; A

MCDONALD'S WOULD BE NICE, TOO

Classified By: Charge Richard Miles, reasons 1.4 (B) and (D).

¶1. (C) SUMMARY: In a productive meeting, Deputy Assistant U.S. Trade Representative, Claudio Lilienfeld exchanged ideas with Vepa Garriyev, the Head of the International Directorate of Turkmenistan's Ministry of Trade and Foreign Economic Relations. Very little time was spent discussing the regional Trade and Investment Framework Agreement. Instead, Garriyev focused on establishing a bilateral experts group commission to examine trade issues, diversify U.S.-Turkmenistan trade and address the current decrease in U.S. demand for Turkmen textiles. Garriyev also raised Turkmenistan's interest in taking another look at a possible bilateral investment treaty. The Turkmen Government illustrated its readiness for foreign investment by discussing its initial correspondence with the McDonald's regional headquarters in Baku. END SUMMARY.

¶2. (C) As part of his Central Asia tour, Deputy Assistant U.S. Trade Representative (DAUSTR), Claudio Lilienfeld met with Turkmenistan's Ministry of Trade and Foreign Economic Relations, represented by Head of the International Directorate, Vepa Garriyev. DAUSTR Lilienfeld emphasized that, as part of the new administration's policy reviews, the United States was examining ways to invigorate its trade relationships in Central Asia. While recognizing that the U.S.-Central Asia Trade and Investment Framework Agreement (TIFA) has been the primary vehicle for the United States to discuss trade issues in Central Asia, Lilienfeld suggested that the TIFA needed to move beyond just annual meetings and into substantive follow-through and results. He suggested that while he was exploring invigorating the TIFA council process as one option -- including possibly by creating an official working group that would meet during the year to help implement the TIFA council agenda -- he also recognized that the TIFA alone was not helping the U.S. to develop more robust bilateral trade ties with the region, and he was also exploring how best to expand commercial ties that could bridge Afghanistan's economy more robustly to the Central Asia region. Lilienfeld expressed USTR's readiness to explore ways to expand bilateral trade and investment with

Turkmenistan, especially as Turkmenistan's economy further evolves and opens to foreign investment.

13. (C) Garriyev responded that there seems to be a general concurrence between the U.S. and Turkmenistan visions for trade cooperation. Well informed, Garriyev started by suggesting that a bilateral investment treaty could be an excellent place to begin strengthening bilateral trade. (NOTE: Apparently the U.S. and Turkmenistan initially discussed a bilateral investment treaty in 1998, proposed it in draft, but never concluded it. END NOTE.) Noting that there are 40-some bilateral documents signed between the U.S. and Turkmenistan, he suggested a bilateral, inter-ministerial working group, or group of experts, that could meet to examine all trade and investment issues, to include transportation, import/export barriers, and any others. This group would review the documents that have been signed as well as the draft bilateral investment treaty and create a way to quickly and dramatically improve trade between the countries.

14. (C) Garriyev suggested that the current trade volume of about 20 million USD could and should be much more -- in the billions rather than in the millions. (NOTE: While Garriyev cited a trade volume of 20 million USD, U.S. data indicates a total bilateral goods trade of 200 million USD in 2008, including 60 million USD in exports to Turkmenistan and 140 million USD in imports from Turkmenistan, both significant drops from 2007. END NOTE.) Garriyev expressed concern that U.S. demand for Turkmen goods, especially its textile

ASHGABAT 00000662 002 OF 002

products, had decreased over the past year. Going back to the idea of a bilateral commission, he suggested that such a group could look into why the U.S. demand for high-quality, low-priced designer textiles had decreased.

15. (C) Garriyev turned to his colleague, the Head of the Ashgabat Food Supply Department, to note one concrete area where Turkmenistan is ready for increased U.S. investment: McDonald's. Apparently, the Ministry of Trade and the regional McDonald's headquarters in Baku exchanged some correspondence in November 2008, but nothing has come of it. The Turkmen side asked for assistance that would help open McDonald's franchises in the near future. Garriyev said that top levels of the government -- read: the President -- had a great desire to see a big-name American retailer/business invest in Turkmenistan.

16. (C) Garriyev wrapped up by returning to the bilateral investment treaty. Lilienfeld suggested that the two governments could discuss the idea as an agenda item in a bilateral dialogue, which could take place in September in conjunction with the notionally-planned next meeting of the TIFA council in Washington, DC. Lilienfeld said that such agreements include strong protections for foreign investors, which would create significant requirements for a country like Turkmenistan. Garriyev acknowledged that trade agreements bring heavy responsibilities, and he noted that these requirements are exactly what Turkmenistan needs to attract more foreign investment: foreign companies would feel safer investing knowing that the protections were written into the agreement. He further revealed that one of President Berdimuhamedov's priorities is to "get the government's hands off business" and develop the private sector. He remarked that the private sector is currently responsible for 40 percent of Turkmenistan's economy, but the government has plans to increase that share to 70 percent as soon as possible. He closed by expressing the wish that a bilateral commission could be formed soon, and reiterating that they want billions in trade with the U.S., not just the current millions.

17. (C) COMMENT: Garriyev was fully engaged in the meeting and well prepared for the issues that DAUSTR Lilienfield raised while furthering Turkmenistan's agenda. Garriyev

spent no time discussing the regional TIFA, and rather focused on bilateral possibilities, perhaps reflecting Turkmenistan's desire for independence from the rest of the region. As Turkmenistan's economy continues to evolve, it will be interesting to see how far privatization can go, how quickly, and what the bumps on the road will be. More engagement from the U.S. side could help smooth out some of those bumps, and create opportunities. Garriyev might be an excellent partner as we move down that road. END COMMENT.

18. (U) DAUSTR Lilienfield has cleared this message.  
MILES